THE CAPITAL GAIN TAX DIFFERENTIAL:
HISTORY, PRESENT PROVISIONS
AND
ECONOMIC CONSIDERATIONS OF PROPOSALS FOR REFORM

An Honors Thesis (ID 499)

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Introduction

The tax treatment of capital gains and losses has evoked considerable controversy over the years. The United States has elected to tax capital gains since the passage of the Sixteenth Amendment in 1913, which states:

> The Congress shall have power to lay and collect taxes on incomes from whatever source derived, without apportionment among the several States, and without regard to any census enumeration.[1]

Provisions applying to the definition of eligible transactions, holding period requirements, valuation, and applicable tax rates for capital gains and losses have changed frequently since the early 1900s; however, a satisfactory solution to the capital gain dilemma has not been reached.[2,3] This paper specifically focuses on the changes in capital gain provisions for individuals and on the economic considerations of current proposals for reform.

History of Capital Gain and Loss Tax Provisions

Revenue Act of 1913. The first taxation of income during the Civil War excluded the gain on sale of capital assets from the definition of income, and thus, capital gains were not taxed. However, the passage of the Sixteenth Amendment in 1913 broadened the interpretation of income to include capital gains. During the next nine years, capital gains were taxed in the same manner as other forms of income. Special treatment was not provided for either capital gains or losses.

Furthermore, the Revenue Act of 1913 disallowed the right to deduct capital losses or to offset capital losses against capital gains. Only losses incurred in trade could be deducted. The Revenue Act of 1916 changed the rule to allow for the deduction of losses for transactions entered into for profit, but only to the extent of gains from similar transactions. The provision was further modified in 1918 to allow for the complete deductibility of all losses against capital gains and other income. Thus, in the first five years, provisions for capital losses ranged from complete disallowance to complete deductibility.

Revenue Act of 1921. The Revenue Act of 1921 marked a new era in the taxation of capital gains and losses. Since that time, noncorporate capital gains have been taxed at preferential, reduced rates. A flat 12.5 percent alternative tax was instituted for transactions which Congress designated as capital gains. Eligible capital assets were originally defined as property "acquired and held by the taxpayer for profit or investment for more than two years (whether or not connected with his trade or business)."[4] Furthermore, the capital asset could not be "property held for the personal use or consumption of the taxpayer or his family, or stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year."[5] This first alternative tax benefitted mainly the higher bracket taxpayers, who purportedly were hampered in selling their capital assets by the high surtax rates in existence at that time.

The 1921 Act also established that net capital losses were fully deductible against capital gains and any excess losses were fully deductible against ordinary income. All remaining excess capital losses were to be carried forward.

The definition of a capital asset was modified in 1924 to include assets held for personal use in order to extend the preferential tax treatment to gains on the sale of personal residences. The 1924 Revenue Bill also repealed the capital-loss carryforward provision and revised the base amount eligible for the alternative tax rate. Instead of taxing capital gains directly, the net amount resulting from the excess of net long-term capital gains over net long-term capital losses was to be taxed at the 12.5 percent rate.

Furthermore, the deductibility of excess capital losses against ordinary income was limited to 12.5 percent of the amount of those losses. The reason for this change becomes immediately evident upon closer examination. A maximum 12.5 percent tax was imposed on capital gains, while capital losses could be used to offset ordinary income, which was taxable at rates as high as 77 percent. Thus, a taxpayer could synchronize his sales of capital assets at losses in such a way as to offset his ordinary income and eliminate his tax liability. Such actions resulted in substantial losses of tax revenue for the government. Under the 1924 Bill this situation was still present, but only 12.5 percent of the capital losses could be used in this manner.

Revenue Act of 1934. The realization tenet, addressed by the Revenue Act of 1934, provides that income is only recognized through the conversion of assets. In order to combat the inequities produced by taxing in the period of sale gains that have accrued over several periods, the 1934 Act devised a schedule providing for a progressive percentage exclusion of capital gains depending on the number of years held, as illustrated in Figure 1. This provision eliminated the need for the alternative 12.5 percent flat tax and allowed the capital gain remaining after the exclusion to be included with ordinary income and taxed at normal rates.

Figure 1: Progressive Rate Schedule[6]

Holding Period	Percentage Exclusion
1 year or less	0
1 to 2 years	20
2 to 5 years	40
5 to 10 years	60
more than 10 years	80

With the passage of the 1934 Act, capital losses could no longer be fully deducted against ordinary income. Capital losses were to be used to offset the same amount of capital gains. Any excess capital losses were to be used to offset up to $2,000 of ordinary income per year. The $2,000 limit was imposed to reduce the likelihood that wealthy investors would eliminate their tax burdens by deducting losses incurred in the stock market crash.

Revenue Act of 1938. By 1938 Congress was questioning the desirability of taxing capital gains and losses. However, the possibility of eliminating this taxation was abandoned because they agreed that capital gains represented the same taxpaying ability as other forms of income. Congress also recognized that if capital gains were to become completely tax-exempt, taxpayers would increase their efforts to convert other types of income into capital gains and thereby avoid taxation. Thus, Congress elected to continue the preferential tax treatment of capital gains and to modify the rules.

The Revenue Act of 1938 altered the definition of capital assets by excluding depreciable property used in the trade or business of the taxpayer. This change permitted the gains on the sale of such equipment or buildings to be taxed as ordinary income. In addition, realized losses were completely deductible against ordinary income.

Congress also revised the holding period requirements and the applicable exclusion rates. Capital gains and losses were divided into three groups. Capital assets held for more than 24 months were classifed as long term and were subject to a 50 percent exclusion. Capital assets held from 18 months to 24 months constitued medium-term capital assets. One-third of these medium-term capital gains were excluded from taxation. Capital assets held for 18 months or less were included without exclusions in the income tax base. Congress justified the new holding periods on the basis that they adequately distinguished between capital assets held for speculative gains and true investment profits.

In addition, Congress instituted a flat 30 percent alternative tax on both medium-term and long-term capital gains after the appropriate exclusion rate was applied. Thus, the effective tax rate applicable to medium-term capital assets was 20 percent (30 percent times the 66 2/3 percent remaining after exclusion), and the rate applicable to long-term capital assets was 15 percent (30 percent times the 50 percent remaining after exclusion).

As a result of the 1938 Act, capital losses from assets held for more than 18 months that exceeded capital gains from similar transactions were deducted from ordinary income, and the normal tax rates were applied. However, the reduction in tax liability due to these loss deductions was not to exceed 30 percent of such losses. Capital losses for assets held for less than 18 months were used to offset similar short-term capital gains, and the excess loss was carried forward for one year.

Revenue Act of 1942. As the economy improved, Congress again slightly modified the capital-asset definition. Depreciable trade or business assets were still excluded; however, if the gain exceeded the loss of such assets, then the gain would be considered a capital gain subject to preferential treatment. Losses from such assets remained fully deductible against ordinary income.

The 1942 Act condensed the three classifications of holding periods into a simple six-month differentiation between short-term and long-term capital gains and losses to provide greater incentive to realize capital gains. In addition, the excess of net long-term capital gains over net short-term capital losses was subject to a 50 percent deduction, which benefitted taxpayers even in the lowest tax bracket. The 30 percent alternative tax was also retained to further benefit taxpayers in the higher tax brackets. Furthermore, the excess of both long-term and short-term capital losses over capital gains was deductible against a maximum of $1,000 of ordinary income, and any remaining excess was carried forward to offset future capital gains and $1,000 per year of ordinary income for up to five years.

Revenue Act of 1950. Beginning in the 1950s, Congress began placing increasing emphasis on closing tax loopholes. In 1950, the maximum surtax rate of 91 percent was effective at only $200,000 of taxable income. As a result, taxpayers began a widespread conversion of ordinary income into capital gains to avoid exorbitant tax liabilities. The provisions Congress enacted to close the loopholes were not consistent and were mostly the result of political considerations. A few minor modifications were also included in the Internal Revenue Code of 1954, which primarily renumbered the 1939 Code.

Tax Reform Act of 1969. Although Congress considered extending the holding period to twelve months, they decided to retain the six-month holding period for long-term assets and to phase out the 30 percent alternative tax by 1972. In addition, a few more assets were removed from the capital-asset definition, and the capital-loss provisions were amended. The 1964 Act had previously amended the Code to provide for unlimited carryover of capital losses. However, the 1969 Reform Act limited the capital-loss advantages by providing that only one-half of the excess net long-term losses was to be deducted against $1,000 of ordinary income. In other words, $2,000 of excess net long-term losses was required to reduce $1,000 of ordinary income. Excess net short-term losses remained deductible in full against the $1,000 of ordinary income. Furthermore, the Tax Reform Act of 1969 limited married taxpayers filing separate returns to $500 of capital loss deductions against ordinary income. Finally, the Act included the long-term capital gains deduction in the tax base for the new 10 percent minimum tax on tax preference items, which further reduced the relative advantages of capital gains.

Tax Reform Act of 1976. Provisions in the 1976 Act expanded the rules regarding the minimum tax on tax preference items. The Act also increased the holding period to nine months for 1977 and to twelve months for 1978 and subsequent years. In addition, the amount of ordinary income against which capital losses were deducted was increased to $2,000 for 1977 and $3,000 for 1978 and subsequent years.

Revenue Act of 1978. In 1978 Congress chose to increase the relative advantage of capital gains by increasing the long-term capital gains deduction from 50 percent to 60 percent. Congress also removed the long-term capital gain deduction from the list of tax preference items that was subject to a minimum tax. In addition, the Act eliminated the alternative tax for net long-term capital gains for noncorporate taxpayers.

The above discussion only highlights some of the major changes in capital gains taxation since its inception. However, it is necessary to understand the factors influencing its path in the past before the future can be accurately assessed. In fact, current capital gain and loss provisions largely resemble the laws in effect during the 1950s and 1960s.

Current Capital Gain and Loss Provisions

Much of the current laws regarding capital gains and losses for noncorporate taxpayers dates back to the Revenue Act of 1978, although a few relatively minor modifications have been made by the Economic Recovery Tax Act of 1981.[7,8,9] The current statutory definition of a capital asset under Section 1221 of the Code encompasses property held by the taxpayer, but does not include

(1) an inventoriable asset;
(2) property held primarily for sale to customers in the ordinary course of the taxpayer's trade or business;
(3) a note or account receivable acquired in the ordinary course of trade or business for services rendered or from the sale of stock in trade or property held for sale in the ordinary course of business;
(4) depreciable business property;
(5) real property used in taxpayer's trade or business;
(6) a copyright, a literary, musical or artistic composition, a letter or memorandum, or similar property (but not a patent or invention) held by the taxpayer who created it, or by one whose basis in the property is determined by reference to the basis of the one who created it, or in the

case of a letter, memorandum or similar property, a taxpayer for whom such property was prepared or produced;
(7) a governmental obligation acquired before June 24, 1981, issued at a discount, payable without interest, and maturing within one year of issue;
(8) a U.S. Government publication (including the Congressional Record) held by a taxpayer who received it (or by another taxpayer in whose hands the publication would have a basis determined in whole or in part by reference to the taxpayer's basis) other than by purchase at the price that the publication is offered to the public.[10]

The capital asset definition is negatively defined to specifically exclude various items and to implicitly include all other property. The most noticeable exclusion is that of depreciable business property. However, Congress modified the Code with Section 1231 to allow portions of gains from the sale of depreciable business assets to be treated as capital gains and losses. In addition, although copyrights and literary, musical, and artistic works are not capital assets, patents and inventions are capital assets and are thereby subject to preferential tax treatment.

The largest group of capital assets is stocks and bonds. Personal assets held by individual taxpayers, such as household furnishings, personal residences, family automobiles, and pleasure boats are also capital assets to which capital gain provisions apply. Although the gain on the sale of personal property may be subject to the preferential tax treatment of capital gains, losses on such property are deductible only if they are a result of theft or casualty. Thus, even though the loss on the sale of a personal residence or car may be correctly stated as a capital loss, the loss is not recognized.

The tax treatment of capital assets is further defined in Section 1222 of the Code, which makes the distinction between short-term and long-term capital gains and losses. A capital asset must be held for more that one year to be classified as a long-term capital gain or loss and receive preferential tax treatment when it is sold or exchanged. In other words, if stock is purchased on April 4, 1984, it cannot be sold before April 5, 1985, if the owner desires a long-term capital gain or loss. Similarly, capital assets held for less than one year are classified as short-term capital gains and losses and are treated as ordinary income. If the stock identified above is sold on or before April 5, 1985, it will be classified as a short-term capital gain or loss.

Under current laws a net long-term capital gain receives preferential treatment in the form of a long-term capital gain deduction as set forth in Section 1202 of the Code, which states

> If for any taxable year, a taxpayer other than a corporation has a net capital gain, 60 percent of the amount of the net capital gain shall be a deduction from gross income.[11]

A net capital gain is the excess of the net long-term capital gain over the net short-term capital loss for the taxable year. In other words,

$$\text{LTCG deduction} = 60\ \%\ (\text{NLTCG} - \text{NSTCL})$$

where NLTCG is net long-term capital gain, and NSTCL is net short-term capital loss. A net long-term capital gain or loss is the result of netting together all long-term capital gains and losses incurred during the taxable year. Likewise, the net short-term capital gain or loss is determined by the netting of all short-term gains and losses incurred. A zero long-term position or net long-term capital gain and a zero short-term position or net short-term capital loss are necessary to use this formula. Thus, a net long-term capital loss or a net short-term capital gain cannot be inserted into the formula.

A long-term capital gain deduction benefits all taxpayers regardless of the tax bracket, because the 60 percent deduction may be used in any circumstances where a net long-term capital gain exists. To illustrate this deduction, assume a taxpayer has $9,000 of net long-term capital gains and a $2,000 net short-term capital loss. The net capital gain subject to the 60 percent deduction is $7,000. Thus, $4,200 may be deducted from the taxpayer's net long-term capital gains. In other words, 40 percent, or $2,800, of the net long-term capital gain is included with ordinary taxable income, and normal tax rates are applied. The highest marginal tax rate for individual taxpayers is 50 percent as set forth in the Economic Recovery Tax Act of 1981. Thus, the maximum tax rate on the excess of net long-term capital gains over net short-term capital losses is 20 percent, i.e. 50 percent of the quantity 100 percent minus 60 percent. If the long-term capital gain deduction is greater than zero, the taxpayer may be liable for the alternative minimum tax.

If the net short-term capital loss is greater than the net long-term capital gain, then the net capital gain is equal to zero; a long-term capital gain deduction does not result. The net short-term capital loss is subject to specific loss deduction and/or loss carryforward provisions to be discussed later.

If the netting of short-term capital gains and losses results in a net short-term capital gain, the gain is used to offset any existing net long-term capital loss. If an overall gain results, the entire amount is treated as ordinary income subject to normal tax rates. However, if the long-term capital loss exceeds the short-term capital gain, the loss is subject to specific loss deduction and/or loss carryforward provisions.

If both net long-term capital gains and net short-term capital gains exist, the net long-term capital gain is subject to the 60 percent deduction, and the net short-term capital gain is included in ordinary income. Finally, if both net long-term capital losses and net short-term capital losses exist, provisions for deduction and/or loss carryforward are applied separately to the two types of capital losses.

In general, net capital losses, excluding losses from personal capital assets, are deductible up to a maximum of $3,000 of ordinary income per taxable year. Married taxpayers filing separately are each allowed a deduction up to $1,500 per taxable year. Net long-term capital losses are subject to a 50 percent dilution; however, net short-term capital losses are fully deductible against ordinary income. In other words, $2,000 of net long-term capital losses is necessary to create a $1,000 deduction from ordinary income, while $1,000 of net short-term capital losses is required to create a $1,000 deduction from ordinary income. The determination of this deduction requires that net short-term capital losses receive primary consideration. If the deduction from net short-term capital losses is less than $3,000, then net long-term capital losses may be deducted on a $2-for-$1 basis up to a total of $3,000 combined.

Capital losses, both long-term and short-term, in excess of these limitations may be carried forward indefinitely until the losses are exhausted. Losses carried forward will retain their short-term and long-term distinction. Thus, a net long-term capital loss carried forward will first reduce long-term capital gains in the next year. Any excess will then reduce short-term capital gains, and finally, reduce ordinary income on a $2-for-$1 basis. Similarly, a net short-term capital loss carried forward will first reduce short-term capital gains, then reduce long-term capital gains, and finally reduce ordinary income on a dollar-for-dollar basis. If the entire capital loss carryforward has not been exhausted, the remaining excess may be carried forward for the next taxable year.

Economic Analysis of Future Proposals

As previously stated, stocks and bonds are the largest group of capital assets. In addition, the economic consequences of changes in capital gain and loss provisions are revealed best by studying the resulting changes in investment practices.

In general, capital gains taxation affects both the supply and demand side of real investment. It influences the demand side, because the preferential tax treatment of long-term capital gains increases the return on appreciated assets as compared to that under a uniform tax system. Savings by households is higher as a result of the preferential taxation of these appreciated assets. The supply of financial securities is also influenced as businesses respond to the higher demand for appreciating securities by increasing their rates of savings. Companies decrease their dividend disbursements and increase their retained earnings. As a result, real investment by businesses is financed more by the internal savings of the corporation than by new stock issues. The value of the retained earnings is reflected by the value of the securities on the market. Stockholders seem to prefer the appreciating value of their stock more than current income in the form of dividends.

The preferential tax treatment of long-term capital gains affects the turnover of asset stocks as well as the price levels. The tendency of investors to refrain from selling appreciating stocks in hopes of higher prices seems to amplify the fluctuation in stock prices. Thus, it appears that an initial increase in prices due to strong demand may be magnified by a reduction in the supply of securities re-entering the market.

Various proposals to revise capital gain and loss provisions have been introduced over the years. Three main areas addressed are the preferential tax rate, holding period requirements, and treatment of capital losses.

Preferential Tax Rate. The Bradley-Gephardt Plan and various other plans have proposed a simplification of tax rates.[12] Under these proposals, capital gains would be taxed at the same rate as ordinary income. A maximum rate of 30 percent has been suggested. However, the taxation of long-term capital gains at the same rate as wages, salaries, dividends, and interest would hinder investment.

In 1978 long-term capital gains were taxed at a maximum of 28 percent as opposed to as high as 70 percent on ordinary income for individual taxpayers, and since 1981 the maximum rate on long-term capital gains has been 20 percent as opposed to a 50 percent maximum rate on ordinary income for individual taxpayers. During this time, the United States has experienced a surge in market prices of stocks. This is especially evident in the prices of growth stocks, and as a result the United States has again become the high-technology leader that it once was in the 1950s and 1960s. During those years the maximum tax rate on capital gains was approximately 30 percent, while ordinary income was taxed at rates as high as 91 percent.

In addition, the popularity of venture capital investment firms has increased as investors are pouring more funds into them. During the years 1969 through 1977, an average of $70 million per year was poured into these firms. In 1981, the flow of funds increased to $1.3 billion, and in 1982 the flow increased to $1.7 billion.

Furthermore, many businessmen are leaving secure jobs in large corporations to start their own businesses. Meanwhile, these small growth companies have been successful in attracting bright young people with their increasing employment opportunities. The increased competition from these small growth firms serves as an incentive for the larger, established companies to continually improve their service.

Finally, research and development, especially by private firms, has exploded in the past few years. Part of this growth in recent years has been sparked by the energy crisis; however, the preferential tax treatment extended to long-term capital gains and losses has played a significant role. Individual investors incur a relatively lower risk due to the availability of capital loss deductions and receive a relatively higher return on investment due to reduced tax rates than otherwise would be incurred under a uniform tax system.

If a 30 percent tax rate were to be imposed on all forms of income, including capital gains, many feel that there would be a major decline in the market for growth-oriented stocks. Investors would see no need to incur greater risks to achieve long-term capital gains when income such as interest and dividends, which involve significantly less risk, produce a comparable after-tax return. The substantial reduction of funds flowing into small growth companies and into research and development would stunt the growth of the economy nationwide.

A proposal to counteract the detrimental effects of a 30 percent maximum tax rate on all forms of income would allow a 100 percent deduction for net long-term capital gains. The theoretical benefits would be substantial because a lower maximum tax rate would be applied to ordinary forms of income and long-term capital gains would be subject to a zero tax rate. The necessary differential would be achieved. However, the United States would have to increase its dependence on other forms of tax revenues.

Holding Period Requirements. Holding period requirements to differentiate between investment gains and purely speculative profits have been subject to a great deal of controversy. A bill proposing the reduction of the holding period requirement to six months is currently under consideration in a Congressional committee. However, similar proposals have been stopped in the past for two reasons. First, Congress feels that the shortening of the holding period will cost the Treasury revenues. Opponents estimate that the reduction in the holding period will cost the government about $400 million.[13] Second, the Democrats view the reduction as a tax break for the rich. In 1978 40 percent of all capital gains were earned by the top 2 percent of the income distribution.[14]

Proponents for a reduction in the holding period feel that it would generate funds for both the government and individual investors. Many tax reforms do not produce immediate benefits. However, reducing or eliminating the present twelve-month holding period would produce immediate, positive results in two ways. Increased realizations of capital gains would boost tax revenues for the Treasury to help balance the federal budget. In addition, the individual investor of stocks would have a fairer chance to realize a profit because equities providing investors with frequent opportunities for long-term capital gains are uncommon.

Since 1979 stocks have not provided as many long-term capital gains as before due to the twelve-month holding period. However, small growth stocks are still providing long-term gains to a limited extent. Many people feel that the current holding period is unfair. For example, AT&T's stock in January of 1979 was around 60. It proceeded to steadily decrease to 45 by March of 1980, moved up to 56 by the middle of 1980, retreated to 45 by year-end, and then moved into the low 50s. If an investor bought the stock in March of 1980, he would have forfeited the 11-point gain in July in hopes of receiving a long-term gain. The Treasury lost revenues, too.

To further illustrate this point, General Motors' stock was at 53 in January of 1979. By September, it had increased to 66. However, if the investor would have waited the full twelve months, he would have lost money. If the holding period had been six months, the General Motors stockholder would have taken the profit and reinvested. The sale would have resulted in tax revenues for the government.[15]

If an investor realizes gains within the first twelve months, he must pay up to 50 percent in taxes on the short-term gain. However, if the gain is realized after the twelve-month period, the gain is subject to a maximum rate of 20 percent. The higher short-term tax rates act as an incentive to wait for a lower tax rate, and the longer a stock is held, the harder it is to sell. This problem is known as the lock-in effect. By shortening the holding period, gains locked in during the last six months would be freed. Proponents feel that the increased number of long-term gains taken would more than compensate for the tax losses from the reduced rate. It is estimated that the six-month holding period would have increased tax revenues by as much as $300 million during the years 1979 through 1981. Furthermore, the shortening of the holding period would have decreased the number of short-term losses, which fully offset ordinary income, and turned them into long-term losses, which are subject to the 50 percent dilution.

The final advantage of reducing the holding period woud be to reduce somewhat the United States' competitive disadvantage. Of eleven major industrial countries, only Sweden has a longer holding period of two years. Some of the others do not even tax capital gains.

Treatment of Capital Losses. The current maximum $3,000 deduction against ordinary income is a compromise between the desire to be fair to taxpayers with net losses and the need to protect the tax basis. If capital losses were fully deductible as they were between 1921 and 1934, the taxpayer could time the sale of his capital assets at losses to offset his ordinary income and eliminate his tax liability. However, small investors who have losses in excess of gains may never be allowed to deduct legitimate losses if the loss deductions were limited. A reduction of the $3,000 limit would favor protecting the tax base and hurt the small investor with net losses.

The 50 percent dilution of long-term losses is also a compromise between protecting the tax base and being fair to small investors with net losses. If long-term losses were fully deductible, the taxpayer could time his sales to realize gains and losses in alternative years. He would pay tax on only 40 percent of the gains and fully deduct his losses. However, the present system punishes those investors with only long-term losses because only one-half of the losses are deductible. This factor contributed to Congress's decision to retain the 50 percent dilution rather than increasing it to 60 percent in 1978 when the net long-term capital gain deduction was increased to 60 percent.

Highlights of capital gain and loss taxation has been presented. The history has not been without its controversy, nor the future without its uncertainty because an equitable solution may never be found. Preferential tax treatment of capital assets has received considerable support over the years, and it will likely be continued. Proponents for the six-month holding period have been voicing their approval in increasing numbers. It is possible that Congress may be persuaded in the near future. Finally, the $3,000 loss deduction against ordinary income appears to be a successful compromise for the present.

The future economic conditions of the United States will probably be marked by many changes and uncertainties. It is likely that capital gains taxation will continue to shape and be shaped by economic trends of the day.

NOTES

[1]The Constitution of the United States of America.

[2]"Taxation and Accounting: Joint Committee on Taxation Staff Pamphlet Describing Issues Related to the Taxation of Capital Gains and Losses, Considered at House Ways and Means Committee Hearing November 2, 1983," Washington, D.C.: The Bureau of National Affairs, Inc., 1983.

[3]Sommerfield, Ray M., Anderson, Hershel M., and Brock, Horace R.. An Introduction to Taxation: 1983 Edition (New York: Harcourt Brace Jovanovich, Inc., 1982), p. 19.6-10.

[4]Ibid., p. 19.7.

[5]Ibid., p. 19.7.

[6]Ibid., p. 19.7.

[7]"Taxation and Accounting".

[8]Sommerfield, Ray M., p. 20.1-21.6.

[9]1983 Master Tax Guide: for Returns of 1982 Income (Chicago: Commerce Clearing House, Inc., 1982), p. 339-353.

[10]Ibid., p. 340-1.

[11]Sommerfield, Ray M., P. 21.1

[12]Ruhm, Thomas, F., "Don't Let the Capital-Gains Differential Be Flattened," Wall Street Journal, June 21, 1983, p. 34.

[13]Bleiberg, Robert M., "Doleful Losing Streak: But Cut in Capital Gains Holding Period Looms Next Year," Barrons, September 12, 1983, 63:11.

[14]Fisher, Peter, "Investment Tax Credits, Capital Gains Taxation, and Reindustrialization of the U.S. Economy," Journal of Economic Issues, 15:769, September 1981.

[15]Kaiser, Charles, Jr., "Capital Gains Holding Periods Holding Up U.S. Economy," CPA Journal, 52:4, September 1982.

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